

Message Text

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PAGE 01 GUATEM 04765 012202Z

71

ACTION ARA-20

INFO OCT-01 ISO-00 OPIC-12 EB-11 COME-00 TRSE-00 AID-20

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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 0944

C O N F I D E N T I A L GUATEMALA 4765

E.O.11652: GDS

TAGS: EIND, GT, US

SUBJECT: PROPOSED LUMBER OPERATION IN PETEN

REF: STATE 194171

1. WILLIAM GALLOWAY, EXECUTIVE VICE PRESIDENT OF TIMPORT INCORPORATED, CALLED AT EMBASSY SEPTEMBER 28 AND LEFT WITH US COPY OF AGREEMENT SIGNED BY HIM AND FYDEP PROMOTOR COL. OLIVERIO CASASOLA, WHICH PROVIDES THAT TIMPORT WILL "INDUSTRIALIZE" THE TIMBER RESOURCES OF THE PETEN FOR FYDEP. BASIC PROVISIONS OF AGREEMENT ARE THAT TIMPORT WILL CUT, MILL AND KILN DRY MINIMUM OF FIVE HUNDRED THOUSAND BOARD FEET OF MAHOGANY AND CEDAR PER MONTH, FOR WHICH FYDEP WILL PAY TIMPORT NINETY FIVE DOLLARS PER THOUSAND BOARD FEET. ANY LUMBER PROCESSED BY TIMPORT IN EXCESS OF FIVE HUNDRED THOUSAND BOARD FEET WILL BE SOLD TO TIMPORT BY FYDEP FOR ONE HUNDRED TWENTY FIVE DOLLARS PER THOUSAND BOARD FEET. (THUS, GALLOWAY POINTS OUT, TIMPORT WILL ACTUALLY BE BUYING THIS LUMBER AT THIRTY DOLLARS PER THOUSAND BOARD FEET, BECAUSE THEY WILL HAVE BEEN PAID NINETY FIVE DOLLARS FOR HAVING CUT IT.) AGREEMENT ALSO CONTAINS WHAT APPEARS TO BE HIGHLY FAVORABLE EXEMPTIONS FROM CUSTOMS DUTIES FOR MACHINERY AND FUELS TO BE USED BY TIMPORT IN THIS PROJECT. UNDER AGREEMENT TIMPORT

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PAGE 02 GUATEM 04765 012202Z

OBLIGATES ITSELF TO PROVIDE HOUSING, DRAINAGE AND SEWAGE

FACILITIES, SCHOOLS, CLINICS, ETC. FOR WORKERS IT HIRES.
WITH REGARD OPIC INSURANCE, ALTHOUGH GALLOWAY SAYS HE
HAS ASSURANCES OF GOG (AT WHAT LEVEL HE DID NOT INDICATE)
THAT IT WILL APPROVE INVESTMENT GUARANTEE, AGREEMENT DOES
NOT SPECIFICALLY SO STATE. ONLY ALLUSION TO THIS SUBJECT
IN DOCUMENT IS "ALTHOUGH THE INDUSTRIALIZER (TIMPORT) WILL
BE ORGANIZED AS A GUATEMALAN CORPORATION (SOCIEDAD ANONIMA)
ALL THE MACHINERY AND EQUIPMENT WHICH IS IMPORTED INTO THE
COUNTRY WILL BE REGISTERED AS A FOREIGN INVESTMENT IN
GUATEMALA AND MR. GALLOWAY WILL TAKE THE NECESSARY PROTECTIVE
MEASURES IN ACCORDANCE WITH THE FOREIGN COMMERCIAL POLICY
OF THE UNITED STATES AND ESPECIALLY AGAINST EXPROPRIATION
OR MONETARY DEVALUATION." (COPY OF AGREEMENT BEING POUCHED
TO DEPARTMENT-ARA/CEN).

2. GALLOWAY, DURING HIS CALL AT EMBASSY, APPEARED
JUBILANT OVER HAVING CONCLUDED THIS AGREEMENT. HE
NOTED THAT LUMBER WHICH TIMPORT WILL BE BUYING FROM
FYDEP FOR A NET THIRTY DOLLARS PER THOUSAND BOARD FEET
WILL BRING OVER FOUR HUNDRED DOLLARS IN CURRENT MARKET,
AND THE TOTAL CAPACITY OF THE PLANT WILL BE TWO AND A
HALF MILLION BOARD FEET PER MONTH. HE SAID COMPANY
PLANNED INVEST ABOUT SIX MILLION DOLLARS IN PROJECT AND
THAT FIRST SHIPMENTS OF EQUIPMENT SHOULD BEGIN TO ARRIVE
IN PUERTO BARRIOS IN TWO TO THREE WEEKS. HE ESTIMATED
THAT PROJECT WOULD EMPLOY BETWEEN THREE THOUSAND AND FOUR
THOUSAND WORKERS. ADDITIONALLY, HE SAID HE IS WORKING ON
FURTHER AGREEMENTS WITH FYDEP FOR THE ESTABLISHMENT OF A
MEDICINAL DRUG PLANT IN THE PETEN TO UTILIZE "FORESTRY
BY-PRODUCTS" AND FOR THE CONSTRUCTION OF A PRESSED BOARD
PLANT. GALLOWAY NOTED THAT NEITHER HE NOR THE GOG WANTED
ANY PUBLICITY IN GUATEMALA ON THIS AGREEMENT AND PROJECT
FOR THE TIME BEING.

3. THIS APPEARS TO BE A HIGHLY FAVORABLE DEAL FOR TIMPORT,
IF THE FACTS AND FIGURES GALLOWAY ARE USING ARE TRUE,
AND WE FORESEE POSSIBILITY THAT IT COULD GENERATE CRITICISM,
PARTICULARLY ON PART OF THE POLITICAL OPPOSITION TO THE
GOG SINCE NATURAL RESOURCES ARE INVOLVED. GALLOWAY, AT
HIS REQUEST, IS SCHEDULED TO CALL AGAIN AT EMBASSY MORNING
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PAGE 03 GUATEM 04765 012202Z

OF OCTOBER 2 TO GIVE US FURTHER DETAILS ON THE
PROJECT. EMBASSY WILL SEEK OPPORTUNITY DISCREETLY
SOUND OUT APPROPRIATE GOG OFFICIALS RE ATTITUDE TOWARDS
OPIC INSURANCE FOR TIMPORT.
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